IIEC Exhibit 1

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

ILLINOIS POWER COMPANY	:	
	:	
Proposed revisions to delivery service tariff sheets and other sheets	:	Docket No. 01-0432
	:	

Direct Testimony of

Robert R. Stephens

On Behalf of

Illinois Industrial Energy Consumers

September 2001
Project 7626

BRUBAKER & ASSOCIATES, INC.

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

ILLINOIS POWER COMPANY	:	
	:	
Proposed revisions to delivery service tariff sheets and other sheets	:	Docket No. 01-0432

Table of Contents

IIEC Exhibit 1

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

ILLINOIS POWER COMPANY	:	
	:	
Proposed revisions to delivery service tariff sheets and other sheets	:	Docket No. 01-0432
	:	

DIRECT TESTIMONY OF ROBERT R. STEPHENS

I. Introduction

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Robert R. Stephens, 1215 Fern Ridge Parkway, Suite 208, St. Louis, MO 63141-2000.

Q BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A I am a consultant in the field of public utility regulation with the firm of Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q PLEASE STATE YOUR QUALIFICATIONS AND EXPERIENCE.

A These are set forth in Appendix A to this testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING?

A I am appearing on behalf of the Illinois Industrial Energy Consumers (IIEC). The IIEC is an ad hoc group of industrial customers eligible to take delivery service from Illinois Power Company (Company or IP).

Q WHAT IS THE INTEREST OF IIEC IN THIS DOCKET?

A IIEC is vitally interested in the development of a competitive retail electricity market in the State of Illinois and in the delivery service rates, terms and conditions resulting from this proceeding. IIEC companies participated in the legislative process leading to the Electric Service Customer Choice and Rate Relief Law of 1997 and have participated in most of the related proceedings before the Illinois Commerce Commission (Commission or ICC) since the enactment of that law.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A I wish to comment on various aspects of IP's witnesses' testimonies, tariff and rate design. Specifically, I will comment on the impact of IP's rates on the promotion of a competitive market, IP's proposed requirements for customers with standby service, charges for reactive demand, charges for transformation, and various aspects of Rider ISS, Rider PRS and Rider PPO.

II. Summary of Conclusions and Recommendations

Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

A These are listed below:

1. As of the end of 2000 only two of IP's 222 customers in the 1 MW and above size range were utilizing a competitive power supply. Based on this dismal level of switching, as well as other information from various ICC reports and discussions with suppliers and customers, I conclude that there is poor competitive retail market development for larger customers in the IP service territory.

2. Many of IP's proposed rate design aspects of its delivery service tariffs, as well as its administration of its bundled service tariffs have an anti-competitive impact and will further hinder the development of a competitive market in the IP service territory.

3. Should a delivery service company intentionally seek to slow down the development of a competitive market in its service territory, one logical way to do so would be to increase the delivery prices to those customers more likely to seek a competitive supply. This would have the perverse result of either: 1) keeping these customers on bundled service rates, or 2) for those customers that do utilize competitive supply, secure greater delivery service revenues for the delivery company.

4. IP has a direct financial incentive to artificially assign more of the revenue requirement increase to large customers than to small customers through the functioning of the transition charge in conjunction with delivery service rates. Many of IP's largest customers, particularly those that have taken service under IP's bundled service rate SC 24, have a transition charge of zero. Consequently, as IP points out, it can realize more net revenue from increasing delivery service rates to such customers with a zero CTC.

5. The development of a competitive market in the IP service territory depends on many factors, some of which are beyond the Commission's control and some of which are within the Commission's control. Ways in which the Commission could promote the development of an effectively competitive market in the IP service territory include those items shown below.

   a. Reject IP's proposal to dramatically increase its revenue requirement overall by adopting the revenue requirement issues proposed by my colleagues Michael Gorman, IIEC Exhibit 2, and Nicholas Phillips, Jr., IIEC Exhibit 3.

   b. Reject IP's proposal to assign a disproportionate share of the revenue requirement increase to IP's largest and highest voltage customers. IIEC witness Phillips offers a method to accomplish this.

   c. Reject IP's proposals with respect to Riders ISS and PRS that are not justified and contribute to discouraging customers from exercising choice.

   d. Reject IP's proposed treatment of transformation charges which are 50% higher for customers greater than 3 MW than are proposed for customers below 3 MW in demand, without any apparent cost justification.

   e. Modify IP's SC 110 tariff to allow a customer who is otherwise eligible for delivery service, to provide a thirty (30) day notice of its intent to leave bundled service, without regard to the provisions of any bundled service tariff. The Commission also could modify the bundled service tariff to accomplish this objective.

   f. Provide greater flexibility for customers who have tested the competitive market only to find that it is not favorable to bundled service at that time. The Commission should modify SC 110 to state specifically that customers who were previously taking bundled service can return to that service under the same primary term status held when they originally switched from bundled service to delivery service and that customers who would otherwise lose the

right to take service under interruptible rates that have been closed to new customers, e.g., Rider S and Rate SC 30 have a right to return to those rates. At such times as there are true competitive options for IP's bundled tariffs, IP would no longer be obligated to provide these rights to return. Until then, customers should be allowed an "open season" to try the competitive market and return under the same conditions as if the customer had never left bundled service.

6. The Public Utilities Act (Act) calls on the ICC to promote the development of an effectively competitive market that operates efficiently and is equitable to all consumers. From a policy perspective, I contend that the dismal level of competition in the IP service territory justifies the Commission taking affirmative steps to minimize the anti-competitive impacts discussed in my testimony in furtherance of its goal.

7. IP's proposal with regard to standby charges for delivery service can result in disparate treatment between customers who have generating capability and customers that do not, and is punitive in nature. The Commission should allow IP to enter into contracts with customers for pre-established and agreed levels of standby delivery capacity, and should reject IP's proposal to penalize customers by tripling the demand charge, distribution capacity charge and transformation charge applied to the excess of the customer's maximum demand over its standby capacity requirement, without regard to what may have caused the maximum demand to exceed the contracted standby capacity requirement in the first place.

8. The ICC should reject IP's proposal to double its reactive demand charge. IP's alleged basis for this increase is the marginal cost of capacitors. IP has provided no information with regard to embedded or installed cost of capacitors.

9. The Commission should reject IP's proposal to charge for transformation at a rate of $0.50 per kW for customers below 3 MW while it proposes to charge $0.75 per kW for customers greater than 3 MW. IP's alleged cost justification for this disparity is based on the marginal cost of serving transformation to customers, not the embedded or installed cost of this service. In addition, even the marginal cost information provided to IIEC does not support disparate charges between small and large customers.

10. The Commission should not approve IP's proposed Rider ISS as currently constituted, as it includes numerous markups on the price of energy, which are not cost-based, and provides for inflated transmission charges that do not take into account the time of use of the transmission system or the customer's load profile.

11. The Commission should reject IP's proposal to implement Rider PRS based on pricing determined under its real-time pricing rate, Rider DA-RTP. IP has made no demonstration whatsoever in this case to substantiate its claim that use of Rider DA-RTP is the lowest reasonably available cost of wholesale electric power and energy, as required in Section 16-104(f) of the Act, IP's cited authority for making this change. IP should not be allowed to base its Rider PRS prices on Rider DA-RTP until and unless IP demonstrates that its Rider DA-RTP price is less than that which

is charged under its PPAs with the current owners of IP's formerly owned generating stations, which IP uses as its source of supply for its customers. In addition, IP has not provided sufficient justification for its various markups on the energy component which it proposes to charge under Rider PRS and should not be allowed to charge the maximum monthly rate per kW for firm point-to-point transmission service.

12. The Commission should reject IP's proposal to modify its Rider PPO by including Factor A4c (energy imbalance) at this time.

III. IP's Rates and the Promotion of a Competitive Market

Q HAVE YOU REVIEWED THE LEVEL OF ACTIVITY OF CUSTOMERS SWITCHING TO DELIVERY SERVICE IN THE IP SERVICE TERRITORY?

A Yes I have. I have reviewed the Illinois Commerce Commission's (ICC or Commission) "Assessment of Retail and Wholesale Market Competition in the Illinois Electric Industry," from April of this year (April Report). This report details activity for all Illinois electric utilities through the end of 2000. I have also reviewed the "Report of Chairman's Fall 2000 Roundtable Discussions Re: Implementation of the Electric Service Customer Choice and Rate Relief Law of 1997," issued in October 2000 (Roundtable Report). In addition, I have reviewed updated customer switching statistics through June 30, 2001.

Q BASED ON YOUR REVIEW OF THESE REPORTS, AND DISCUSSIONS WITH SUPPLIERS AND CUSTOMERS, DO YOU HAVE AN OPINION AS TO THE DEVELOPMENT OF A COMPETITIVE MARKET IN THE IP SERVICE TERRITORY?

A Yes I do. In the nearly two years since the opening of the market in the IP territory it appears that less than 2% of the non-residential customers have opted for delivery service. On a kilowatthour usage basis, 34.4% of eligible customer usage has switched to delivery services. Based on these statistics alone, I would consider the level of competitive power supplied, and therefore the development of the competitive market to

be somewhat disappointing. This is especially so, when comparing to the amount of switching in the Commonwealth Edison Company (ComEd) service territory.

However, these statistics taken alone do not tell the entire story. According to the April Report, 92% of IP delivery services customers greater than 1 MW were utilizing the Power Purchase Option (PPO). This means that only 8%, or two of 25 delivery service customers in that size range were utilizing a competitive source of supply. I consider this to be a dismal level. To put this figure into perspective, IP shows that it has a total of 222 customers (bundled and delivery) in the 1 MW and above size range. (IP Ex. 6.4) Hence, less than 1% of IP's eligible customers greater than 1 MW in size had switched to a competitive power supply by the end of 2000. As did the Commission, I would consider these types of figures to be discouraging signs of market development.

> ". . . [A]lmost all of the customers purchasing power from RESs operating in the AmerenCIPS and the Illinois Power service territories are members of a single aggregated group, which was formed for the express purpose of purchasing electricity. In addition to the members of this group, few other customers are purchasing power from RESs in these service territories. Thus, the extent of retail activity is more limited in the down-state service territories than it might appear." (April Report at 6)

Q TO WHAT DO YOU ATTRIBUTE THIS POOR COMPETITIVE RETAIL MARKET DEVELOPMENT FOR LARGER CUSTOMERS IN THE IP SERVICE TERRITORY?

A There is a variety of reasons for the poor development, most of which are mentioned either in the April Report or in the Roundtable Report. I will not attempt to repeat or supplement the wide variety of possible reasons, but I would simply note that some reasons are beyond the Commission's control, while others are within the Commission's control.

Q WHAT KINDS OF ISSUES ARE WITHIN THE COMMISSION'S CONTROL?

A The Commission is involved in the relationship between the customer and the host utility in its administration of retail rates, terms and conditions. Generally, the issues most relevant to this case are those related to IP's retail delivery service rates. However, there obviously is an interrelationship between bundled and delivery service rates and their consequent impact on each other. I believe the Commission could foster the development of a competitive market in the IP territory by exercising its authority to modify both the proposed delivery rates and the application of existing bundled rates as well, in order to accommodate customers' supply options.

Q WHAT SPECIFIC ISSUES DO YOU ADDRESS?

A With regard to delivery rates, I address the anti-competitive impact of IP's attempt to unfairly shift much of the new revenue responsibility from its relatively smaller, lower voltage customers to its relatively larger, higher voltage customers. I also comment on certain of IP's bundled service rate policies that either; (1) discourage customers from trying out the competitive market or, (2) as a practical matter, eliminate the possibility of a customer benefiting from a competitive power supply.

Q WHY DO YOU BELIEVE IP'S PROPOSED RATES SHIFT NEW REVENUE RESPONSIBILITY FROM SMALLER, LOWER VOLTAGE CUSTOMERS TO LARGER, HIGHER VOLTAGE CUSTOMERS?

A This conclusion is easily drawn by examining the impact of IP's proposed rates on customers of different sizes taking service at the different voltages. Table 1 below shows the effect of IP's proposed increases on typical demand metered customers of

varying load size and voltage level. The source for the information is IP's response to IIEC's Second Data Request, Item 33.

Table 1

Proposed Increase On Typical Demand Metered Customer

Customer Load Size	Service Voltage	Percent Increase Under IP's Proposed Rates
<200 kW	Single Phase Service	4%
200 – 1000 kW	12.47 kV	23%
1000 kW and Over	34.5 kV	161%

As can be seen from Table 1, typical larger customers taking service at relatively higher voltages will see dramatic increases under IP's proposed rates.

To illustrate this point another way, one can factor out the differences in customer load size and merely look at the differences associated with changes in service voltage. Table 2 below shows the percentage impacts of IP's proposed rates on a hypothetical, 5 MW, 90% power factor customer at IP's three different demand metered voltage levels.

Table 2

Proposed Increase On Hypothetical 5 MW Customer

Service Voltage	Percent Increase Under IP's Proposed Rates
12.47 kV and below	21%
34.5 kV to 69 kV	77%
138 kV and above	143%

Hence, customers at higher service voltage levels, which also tend to be the larger customers, are facing very dramatic increases under IP's proposed rates.

Q WHY DO YOU BELIEVE A DRAMATIC INCREASE IN DELIVERY SERVICE RATES HAS AN ANTI-COMPETITIVE IMPACT?

A Large customers, and particularly those taking service at high delivery voltage, should be among those most attractive to competitive suppliers and the most likely to pursue competitive supply. They often have beneficial usage characteristics for power supply (e.g., high load factor, interruptibility, etc.). Large customers, particularly those that are energy intensive, tend to be more sensitive to energy prices than are relatively smaller, less energy intensive customers. Further, they often have more resources to explore competitive energy supply opportunities than do small customers. Changes to make these customers less interested in competitive supply, or to make competitive suppliers less interested in them will undoubtedly slow the development of a competitive market.

As further evidence of this, of the certified Retail Electric Suppliers (RES), five are certified only to serve customers greater than 1 MW, including two of those registered in the IP territory. These RESs have expressed, by virtue of their certification, an interest in serving larger customers only.

Hence, should a delivery service company intentionally seek to slow down the development of a competitive market in its service territory, one logical way to do it would be to increase the delivery prices to those customers more likely to seek a competitive supply relative to those less likely. This would have the perverse result of either: 1) keeping these customers on bundled service rates, or 2) for those customers that do utilize competitive supply, secure greater delivery service revenues for the delivery company.

Q **SETTING ASIDE ANY POTENTIAL ANTI-COMPETITIVE IMPACTS FOR A MOMENT, DOES IP HAVE ANY INCENTIVE TO ASSIGN MORE OF THE REVENUE REQUIREMENT INCREASE TO LARGE CUSTOMERS THAN TO SMALL CUSTOMERS?**

A Yes, IP has a direct financial incentive to do so. By virtue of its filing, IP seeks to collect significantly higher delivery revenues in this case. IP would not net any increase in revenues for delivery services to customers that are paying positive transition charges. As delivery service rates increase, transition charges (CTCs or transition charges) decrease; if delivery service rates decrease, CTCs increase – so, IP is revenue indifferent. IP explained this phenomenon in its response to IIEC's Second Data Request, Item 32, which is reproduced in pertinent part below.

> "Since most demand metered customers are still on bundled rates, and most of those that are on delivery service rates also pay a transition charge, the rate design impact will largely not be felt directly by those customers. ***The transition charge mutes the impact of the rate changes in this proceeding for those customers paying a transition charge.*** If delivery rates move up or down from present levels, transition charges will also adjust ***such that the customer will generally pay the company the same amount of revenue as they do today.***" (emphasis added)

Many of IP's largest customers, however, particularly those that have taken service under IP's bundled service rate SC 24, have a zero CTC. **Consequently, as IP points out, it can realize more net revenue from increasing delivery service rates to customers with a zero CTC.**

The ICC needs to remain cognizant as to the correlation between setting just and reasonable delivery service rates and their impact on competition.

Q GETTING BACK TO THE ISSUE OF TARIFF IMPACTS THAT ARE NOT CONDUCIVE TO THE PROMOTION OF A COMPETITIVE MARKET, DO YOU HAVE ANY OTHER COMMENTS?

A Yes. There is another impact of distribution rates that tends to shift costs to larger customers. I refer to IP's proposed treatment of transformation charges. As I will discuss further hereinafter, IP proposes to implement transformation charges that are 50% higher for customers greater than 3 MW than are proposed for customers below 3 MW, without any apparent cost justification.[1]

I would also note that IP recently filed with the Federal Energy Regulatory Commission (FERC) to dramatically increase its transmission rates. IP's filing calls for a 55% increase in transmission revenue requirement.[2] While IIEC has not had a chance to fully review IP's transmission rate filing, I would like to note that such an increase in transmission rates may have a further chilling effect on competitive market development for all customers, as alternate suppliers must utilize transmission service for serving even the smallest of customers.

IP's policies with respect to Rider ISS and PRS are not justified and contribute to discouraging customers from exercising choice. I will discuss these policies later in my testimony.

In addition to the anti-competitive impacts of its delivery service rates, IP also has a number of bundled service tariff provisions, or chosen application thereof, which limit customers' ability to test the competitive market. For example, IP's provision in SC 24

---

[1] I would note that IP's current SC 110 rates contain the same transformation charges as IP proposes to continue in this case. The charge for below 3 MW customers was established in the context of the last DST case, while the higher charge for customers greater than 3 MW was established in an interim rate filing between the time of the last DST case and the current case.

[2] IP letter to the Secretary of the FERC, August 31, 2001, at page 3.

that a customer cannot end SC 24 service on less than 12 months notice makes it unlikely, if not a practical impossibility, for many SC 24 customers to exercise choice.

Q EARLIER YOU MENTIONED THE COMMISSION COULD FOSTER THE DEVELOPMENT OF A COMPETITIVE MARKET IN THE IP SERVICE TERRITORY BY MODIFYING BOTH PROPOSED DELIVERY RATES AND THE APPLICATION OF EXISTING BUNDLED RATES. COULD YOU PLEASE COMMENT ON THE TYPES OF CHANGES TO WHICH YOU WERE REFERRING?

A Yes. As mentioned, under IP's administration of its SC 24 tariff, a customer would have to have given termination notice *twelve months ago* in order to qualify for SC 110 service today. Yet what prudent consumer would have cancelled its supply agreement 12 months ago, not knowing if it would qualify for PPO service or if there would be viable competitive options available today? The 12-month notice provision is an artifact of an era when the utility built and owned the generating resources needed to serve its captive bundled service customers. IP is no longer in this situation.

This antiquated notice provision runs counter to the realities of the competitive market today, where opportunities can present themselves, and disappear, in a matter of days or weeks. Customers can have difficulty securing legitimate and dependable supply offers if they are not eligible for delivery service for another 12 months. This is unfortunate because wholesale market prices have dropped dramatically in recent months, creating favorable power supply opportunities (whether competitive supply or PPO service), for those customers that can exercise choice at this time.

Hence, one action the Commission could undertake to jump-start competition in the IP territory is to modify IP's SC 110 tariff to allow a customer who is otherwise eligible for delivery service, to provide a thirty (30) day notice of its intent to leave

bundled service, without regard to the provisions of any bundled service tariff. In the alternative, the Commission could modify SC 24 and any other affected bundled service tariff to accomplish this objective.

Q ARE THERE ANY OTHER WAYS IN WHICH THE COMMISSION COULD ELIMINATE BARRIERS TO IP BUNDLED SERVICE CUSTOMERS TRYING COMPETITIVE SUPPLY?

A Yes. One of the ways in which customers are deterred from trying competitive supply is in the primary term requirements under IP bundled rates. Under IP's SC 24 provisions, for example, a new customer must commit to a primary term of 5 years. I am advised that IP would consider a customer who has tested the competitive waters (that is, given the requisite 12 months notice) and who then decides the supply options are not attractive, and desires to return to SC 24, would be treated as if it was a brand new customer. This would be irrespective of how many years the customer had already been an IP customer or how many years since its initial primary term under SC 24 had expired. The customer is essentially threatened with a 5-year term under IP's bundled service if it wants to legitimately consider competitive supply options. The only way a "returning" SC 24 customer could avoid this onerous primary term would be to choose an IP bundled service option that may be ill-suited to its needs.

The ICC should provide greater flexibility for customers who have tested the competitive market only to find that it is not favorable to bundled service at that time. In that case, customers should only be subject to the remaining primary term, if any, that existed at the time the customer switched to delivery service or other mandatory period for remaining on bundled service upon return as required by law. I recommend modifying SC 110 to state specifically that customers who were previously taking

bundled service can return to that service under the same primary term status they held when they originally switched from bundled service to delivery service. I will discuss the time period for this right hereafter.

Q WHAT IS THE OTHER WAY THE COMMISSION COULD FACILITATE BUNDLED SERVICE CUSTOMERS TRYING COMPETITIVE SUPPLY?

A Currently, some customers are discouraged from trying a competitive supply through the threatened loss of eligibility for current rate products that have been closed to new customers. For example, IP has a number of Rider S customers who receive a lower rate for power in return for IP having the right to interrupt their service. Another example would be IP's Rate SC 30, which is also an interruptible rate with favorable features for qualifying customers. However, IP's Rider S and SC 30 rates have been closed to new customers for several years. IP has advised that Rider S and Rate SC 30 customers who utilize a competitive supply will give up their rights to ever return to these rates.

The ICC should find that Rider S and Rate SC 30 customers are not barred from returning to these rates. The recommended change is the same as that shown in my previous answer.

Q FOR HOW LONG SHOULD CUSTOMERS BE GIVEN THIS RIGHT TO RETURN TO BUNDLED SERVICES THAT HAVE BEEN CLOSED TO NEW CUSTOMERS?

A My recommended policy in this regard, as well as with regard to returning to service without facing an onerous primary term, is to recognize the transitional nature of the circumstances and eliminate these types of barriers during this market development period, when such development of the competitive market depends on customers' willingness to try competitive supply. However, this should not be a perpetual obligation

on IP. At such time as there are true competitive options for these kinds of services[3], IP should no longer be obligated to provide this right to return as I have described. Until then, customers should be allowed an "open season" to try the competitive market and return under the same conditions as if the customer had never left bundled service.

This proceeding is a tariff proceeding that will impact the development of a competitive market in the IP territory. I am aware of no other open docket in which the ICC is considering IP tariffs that is broad enough in scope to contemplate market development and steps that can be taken to promote competition. If the Commission were to aggressively promote competition in the IP service territory, it should use whatever tools are at its disposal. The Act calls on the ICC to promote the development of an effectively competitive market that operates efficiently and is equitable to all consumers.[4] From a policy perspective, I contend that the dismal level of competition in the IP territory justifies the Commission taking affirmative steps to minimize the anti-competitive impacts discussed above in furtherance of its goal.

Q COULD YOU PLEASE SUMMARIZE THIS SECTION OF YOUR TESTIMONY?

A Yes. Based on Commission reports as well as other information in the market, it appears that competition is not working very well in the IP territory. Among its legislative findings in enacting Article 16 to the Act, the legislature found that the ICC should act to promote the development of an effectively competitive electricity market that operates efficiently and is equitable to all consumers. The impact of IP's proposed delivery service tariffs, as well as certain aspects of its existing bundled service tariffs serve to hinder the development of a competitive market. In acting to promote the development

[3] This means the Commission would at least have declared them as competitive.
[4] Section 16-101A(d) (220 ILCS 16-101A(d)).

of an effectively competitive electricity market, the Commission needs to take all affirmative actions within its authority to establish conditions that are conducive to customers seeking competitive supply.

IV. Standby Capacity Requirements

Q ARE YOU FAMILIAR WITH IP'S PROPOSAL TO CHARGE FOR DELIVERY SERVICE TO STANDBY CUSTOMERS?

A Yes. I have reviewed the testimony of IP witness Leonard Jones and the related tariff in this regard.

Q PLEASE DESCRIBE IP'S PROPOSAL.

A As indicated in Mr. Jones' direct testimony at pages 19 – 21 of IP Exhibit 6.1, IP proposes to require customers with generation who seek delivery service for power supply in the event their generating capabilities are unable to serve their entire load to enter into a contract for a standby capacity requirement. The customer's charge for delivery service would then be based on this standby capacity requirement level of demand, irrespective of the level of power delivered across the system on that customer's behalf. The exception to this would be when a customer's maximum demand, for whatever reason, exceeds the contracted standby capacity requirement. In that event, the customer's standby capacity requirement would be automatically ratcheted upward to the customer's maximum demand and the customer would be required to pay a charge equal to three times the applicable demand charge, distribution capacity charge and transformation charge applied to the excess of the customer's

maximum demand over its standby capacity requirement in that month. Thereafter, the customer would pay charges based on this higher ratcheted demand.

Q FOR HOW LONG WOULD THIS HIGHER RATCHETED DEMAND APPLY?

A I cannot say, as Mr. Jones' testimony and IP's proposed SC 110 tariff are unclear in this regard. Neither indicates any provision for a ratcheting back down to the pre-existing standby capacity requirement or any other level. Conceivably, this ratchet could last into perpetuity, or at least through the remainder of the customer's service contract. However, in response to IIEC's Third Data Request, Item 59, IP indicated in that event, "the new standby contract requirement would remain in place until the customer demonstrates to the Company that a lesser amount of distribution service is needed." There is no indication as to how a customer could successfully make this demonstration, and there is no language in the tariff implementing this position. Absent any standard, this suggests unlimited and arbitrary discretion to IP.

In addition, absent is any consideration as to what may have caused the maximum demand to exceed the contracted standby capacity requirement in the first place. It is possible that unforeseen and non-recurring circumstances could result in a one-time spike in delivery demand. Customers who do not have generation are not forced to pay into perpetuity for one-time spikes in delivery demand.

Q DO YOU OBJECT TO THE PROPOSED USE OF A DEMAND RATCHET RATE DESIGN FOR STANDBY CUSTOMERS WHEN IT IS NOT USED FOR OTHER DELIVERY CUSTOMERS' (WITHOUT GENERATING FACILITIES) LOAD?

A Yes, this would result in disparate treatment between standby customers and other delivery service customers.

Consider a hypothetical situation wherein two different customers have identical delivery service usage profiles and identical associated distribution facilities, and therefore impose identical costs on the utility. The only relevant difference between these customers is that one customer has its own generating capability, which averts the need for full use of the delivery system some of the time, while the other customer has no generating capability and uses the delivery system all of the time. If both customers were to be billed based on ratcheted demand, the charges would be the same for each. Similarly, if both customers were to be billed based on an unratcheted demand charge, again, the charges would be the same for each. The disparate treatment would occur in the situation whereby the non-generation customer is billed for delivery service based on a non-ratcheted demand, while the generation customer is billed based on a ratcheted demand. In this case, the generation customer would pay more for the same facilities and use than would the non-generation customer.[5]

Q IS A PENALTY OF THREE TIMES THE CHARGES FOR DEMAND IN EXCESS OF THE STANDBY CAPACITY REQUIREMENT NEEDED?

A No. This is an unnecessary punitive measure. Customers who do not have generation are not so penalized for abnormally high demands. Standby customers have adequate incentive to properly contract for standby capacity. If their generation fails, they need to be assured that there will be sufficient capacity available to serve their needs.

As a more general matter, I am not objecting to standby customers paying for a contracted level of delivery capacity commensurate with their projected need for standby service. But what I do find objectionable are penalties and ratchet provisions that have

[5] This would be untrue only in the trivial case where the demand peaks are identical each month.

no consideration of the cause of the spike and no stated provisions for subsequent reductions.

Q WHAT IS YOUR RECOMMENDATION IN THIS REGARD?

A I recommend IP be allowed to enter into contracts with customers for pre-established and agreed levels of standby delivery capacity. Logically, this level of standby capacity and term of the agreement should be based on the capacity and operating characteristics of the customer's load and generating unit(s). Given information on customer historical usage and generating capability, it should not be difficult to set the contract demand level appropriately. IP has less than 10 customers that it considers potential standby delivery service customers.[6] Should customer circumstances change, and more or less standby delivery capacity is deemed needed, IP and these few potential standby customers could simply re-negotiate the contracted standby levels.

V. Reactive Demand Charges

Q HAVE YOU REVIEWED IP'S POSITION AS IT RELATES TO CHANGES IN REACTIVE DEMAND CHARGES?

A Yes I have. As stated, I have reviewed the testimony of IP witness Jones as well as the proposed SC 110 tariff. As indicated in the proposed tariff, IP proposes a 100% increase in the reactive demand charge, changing it from $0.10 per kVAR to $0.20 per kVAR. A reactive demand charge is used to collect for the costs associated with a non-unity power factor. This can amount to thousands of dollars per month for some large customers.

[6] IP response to IIEC Third Data Request, Item 59.

Q DOES IP CURRENTLY HAVE SIGNIFICANT POWER FACTOR PROBLEMS ON ITS SYSTEM THAT JUSTIFY THE DRAMATIC INCREASE IN KVAR CHARGES FOR DELIVERY SERVICE CUSTOMERS?

A Apparently not. As IP indicated in its response to IIEC's Third Data Request, Item 44, the increase in kVAR charges is driven by factors other than power factor problems.

Q WHAT IS THE BASIS THEN FOR IP'S LARGE INCREASE?

A According to its response to IIEC's Third Data Request, Item 43, the increase is based on an analysis of the current installed cost of capacitor banks. However, this answer is misleading. As IP indicates in its response to a different data request, IIEC Third Data Request, Item 57, the $0.20 per kVAR rate is the average of the marginal cost of capacitors at primary/secondary voltage levels. This is not the average of the embedded, or installed, cost of all capacitor banks on the IP system and, therefore, is not based on the current installed cost as alleged. IP proposes to collect its embedded cost of delivery facilities and to allocate costs among classes using an embedded cost of service study, yet charge for reactive demand on a marginal basis. I see no good reason to depart from embedded cost in regard to reactive demand charges.

Q DO YOU KNOW THE AVERAGE EMBEDDED COST OF CAPACITORS ON THE IP SYSTEM?

A Unfortunately no, I do not. IIEC asked IP for this information on September 5, 2001, as a follow-up to IP's response to IIEC's Third Data Request, Item 57, which was received on August 30, 2001; however, IIEC has yet to receive a response.

In addition, IIEC asked several other questions with regard to the development of the alleged average marginal cost used in IP's proposed rate design. IIEC has yet to receive the responses to those data requests as well. Assuming I receive the Company's response to these IIEC data requests in time, I will seek to provide the pertinent information in the next round of testimony.

As the Company has not provided support for an increase in the reactive demand charge, I recommend the Commission leave the charge at the current $0.10 per kVAR rate.

VI. Transformation Charges

Q HAVE YOU REVIEWED THE COMPANY'S PROPOSAL AS IT RELATES TO TRANSFORMATION CHARGES?

A Yes I have. This proposal is addressed in the testimony of IP witness Jones as well as IP's proposed SC 110 tariff. Transformation charges are used when the supply line voltage is different from the voltage used at the customer's facility. As mentioned earlier, IP proposes to charge $0.50 per kW for customers below 3 MW and $0.75 per kW for customers greater than 3 MW.

Q IS IT UNUSUAL TO HAVE UNIT CHARGES THAT ARE GREATER FOR LARGE CUSTOMERS THAN FOR SMALL CUSTOMERS?

A Yes, this is somewhat unusual. Economies of scale and larger numbers of billing determinants normally result in lower unit charges (or cost per unit) for large customers than for small customers. It is somewhat unusual to see higher unit charges associated with large customers.

Q IS THERE A COST JUSTIFICATION FOR THIS DISPARITY IN CHARGES?

A No. IIEC asked IP a similar question in IIEC's Third Data Request, Item 58. In its response, IP indicated the marginal cost of serving transformation to the smaller customers averages about $0.50 per kW. In the same response, IP indicates that the cost of "several recently constructed substations for larger customers ranges from $0.30 per kW to $0.99 per kW." IP then avers that "since customers have a choice in who provides this service, the Company feels it is appropriate to use the higher end of the range of transformation facility costs to serve these customers."

Q DO YOU AGREE WITH THIS ALLEGED COST JUSTIFICATION?

A No, I do not. As I explained in my discussion of reactive demand charges, I do not believe use of marginal facilities cost is appropriate in this case, given the use of an embedded revenue requirement and an embedded cost of service study. In addition, I see no logic in the contention that simply because a customer may have a choice in who provides transformation service, that the Company should be able to arbitrarily impose a higher charge. To my knowledge, transformation service has not been declared competitive by the ICC; therefore the charge should be based on cost.[7]

Finally, based on my review of IP's attachment 58-1 to its response to IIEC's Third Data Request, Item 58, it appears that even the marginal costs shown would argue for a lower transformation charge for larger customers. In the attachment, IP shows a "representative sample of recently constructed substations for customers over 3 MW" which are summarized below in Table 3.

[7] The existence of competitive options should serve to lower customer costs, not increase them.

Table 3

Sample No.	kW	Total Cost per kW
1	3,188	$0.63
2	2,975	$0.99
3	4,463	$0.47
4	6,375	$0.45
5	5,950	$0.30
Average		$0.57
Average Excl. Below 3 MW Transformer (Sample No. 2)		$0.46

As can be seen from Table 3 above, three out of five sample installations are below $0.50 per kW, and the only one that is significantly above $0.50 per kW is associated with a transformer that is actually less than 3 MW in size. The averages shown in the table suggest a $0.50 per kW charge or lower for transformation for customers greater than 3 MW, rather than the $0.75 per kW charge proposed by IP.

IIEC asked IP in a follow-up data request to provide the average of the embedded cost of transformation facilities rather than marginal cost, but as yet has not received a response. If I receive this information in time, I will provide this information in the next round of testimony.

In any event, there has not been sufficient justification to have a transformation charge for customers greater than 3 MW higher than that charged to customers below 3 MW. Therefore, I recommend the transformation charge for customers greater than 3 MW be set at the same level as the transformation charge for customers below 3 MW.

VII. Rider ISS

Q HAVE YOU REVIEWED IP'S PROPOSAL AS IT PERTAINS TO THE PROVISION OF "INTERIM SUPPLY SERVICE" UNDER RIDER ISS?

A Yes I have. I have reviewed the testimonies of IP witness Jacqueline Voiles (IP Exhibit 5.1) and IP witness Jones, as well as IP's proposed tariff in this regard.

Q PLEASE DESCRIBE HOW IP PROPOSES TO CHARGE FOR ENERGY UNDER RIDER ISS.

A As described at page 21 of Mr. Jones' testimony, the customer will pay 110% of the Rider DA-RTP rate for electric power and energy, and the administrative charge stated in that tariff. Rider DA-RTP is one of IP's two real-time pricing rates that are available to bundled service customers. In addition, the customer will pay the firm point-to-point and ancillary services maximum daily rate per kW in the Company's OATT and the other charges stated in SC 110. The Rider ISS tariff provides somewhat more detail. It lists the same charges, but specifies that the charges under Rider DA-RTP would be the hourly price for electric power and energy delivered to customer set forth in Sections 5(a) and 5(c) of Rider DA-RTP. And it specifies that the administration fee will equal 10% of the energy component of the hourly price in Section 5(a) of Rider DA-RTP.

Translated, the complete list of charges that a customer would face under Rider ISS is shown below, in Table 4.

Table 4
Customer Charges Under Rider ISS

Component	Description
Energy Based Components:	
Base Cost of Energy	Forecasted wholesale market price, differentiated by customers' supply line voltage level
Administration Fee	10% of the energy component of the hourly price described above
Recovery Factor	0.9¢ per kWh as shown in paragraph 5(c) of Rider DA-RTP[8]
Delivery Based Components:	
Transmission Service	Firm point-to-point at maximum daily rate
Ancillary Services Charges	Under the applicable OATT, excluding energy imbalance charges
Distribution Delivery Service	All charges under Section 6 of SC 110

As can be seen from the table above, IP has several adders and fees under the proposed Rider ISS over and above the market price of power.

Q DO YOU DISAGREE WITH THE UNDERLYING USE OF A REAL TIME RATE FOR PRICING RIDER ISS SERVICE?

A No, I do not find use of a real time price that is based on the cost of power in the wholesale market to be objectionable for this application. What I do find objectionable is the way in which IP has marked up the forecasted wholesale energy price.

[8] Paragraph 5(c) of Rider DA-RTP actually includes three different charges, .5¢ per kWh, .7¢ per kWh, and .9¢ per kWh. IP indicates in its response to IIEC's Third Data Request, Item 51, that it has chosen the highest of the three for use in conjunction with Rider ISS.

Q DO YOU AGREE THAT A "RECOVERY FACTOR" OF .9¢ PER KWH IS WARRANTED?

A No. This recovery factor is an artifact of IP's use of Rider DA-RTP in its provision of bundled service. This level of recovery factor has no appropriate place in regard to provision of Rider ISS power and energy. Rider ISS is not Rider DA-RTP. Rider DA-RTP prices are used as a proxy for the actual market values of the power and energy used by the customer while on interim supply service.

The charges a utility collects for providing Rider ISS should be compensatory, but should not unduly enrich the utility for providing the service. There is no supportable basis for this recovery factor included with Rider ISS charges in IP's testimony.

I also note that IP's Rider DA-RTP was established in 1996. The Commission no longer seems to support a fixed recovery factor of this kind of magnitude in conjunction with real time prices. For example, in 1998, IP proposed to have a fixed recovery factor in its proposed DA-RTP II, which it filed pursuant to Section 16-107 of the Public Utilities Act. The Commission instead approved a recovery factor of 10% of the energy price, which typically is a <u>much</u> lower value than the .9¢ per kWh fixed recovery factor proposed by IP. However, even a 10% recovery factor is not appropriate when real time prices are used in the context of Rider ISS, as described above. IP proposes to charge <u>both</u> a .9¢ per kWh fixed recovery factor and a 10% percentage markup.

Q SHOULD IP BE ALLOWED TO CHARGE ANYTHING BESIDES THE MARKET PRICE OF ENERGY AND ASSOCIATED DELIVERY IN PROVIDING SERVICE UNDER RIDER ISS?

A If IP is able to demonstrate real administrative costs associated with serving Rider ISS customers that are not already covered in the delivery service revenue requirement, then

a commensurate fee based on the actual cost of administering the service would be appropriate. The fee should not be based on a percentage of the market price as proposed by IP, as there has been no demonstration that the administrative cost varies with the price of power.

Q DO YOU HAVE ANY DISAGREEMENT WITH ANY OF THE DELIVERY BASED COMPONENTS OF THE RIDER ISS CHARGES?

A These are of somewhat less concern. However, I see no supportable rationale for requiring that Rider ISS service be based on firm point-to-point service at the maximum daily rate per kW applicable under the applicable OATT. Such a provision fails to take into consideration the time of use of transmission service or the customer's demand profile while on Rider ISS. It is also inconsistent with the way IP prices for its bundled service customers and its delivery service taking service under Rider PPO.[9] Further, IP has indicated that on the effective date of service under the Alliance Regional Transmission Organization (ARTO), it is expected that IP will utilize network integration transmission service for the majority of its native load obligation.[10] IP has provided no compelling reason why network integration service would not be appropriate for use under Rider ISS as well. This would generally result in lower transmission costs associated with Rider ISS service and would take into account the time of use and customer load profile, items which affect the cost of providing transmission service.

Therefore, for the reasons stated above, the Commission should not approve IP's proposed Rider ISS as currently constituted.

---

[9] IP is not currently required to reserve transmission service to serve bundled load under normal circumstances. Also, IP presently uses network integration service for serving its Rider PPO customers. (IP response to IIEC Third Data Request, Item 54.)

[10] IP response to IIEC Third Data Request, Item 54.

VIII. Rider PRS

Q HAVE YOU REVIEWED THE COMPANY'S FILING AS IT PERTAINS TO THE ESTABLISHMENT OF RIDER PRS – PARTIAL REQUIREMENTS SERVICE?

A Yes I have. I have reviewed the testimonies of IP witnesses Voiles and Jones in this regard, as well as the affected tariff pages. IP proposes to change its tariff by removing the partial requirements service provisions from SC 110 and including them in a newly created Rider PRS, as described on page 22 of IP Exhibit 6.1. Under IP's proposal, customers would no longer have the option of using a competitive supply for serving a portion of its load, while leaving the remainder of the load on the IP bundled tariff. Instead, IP proposes to charge for the load remaining on the IP system based on the hourly energy price charged under its Rider DA-RTP, with a 10% adder. In addition, IP proposes to charge for transmission service under the firm point-to-point service rate at the maximum monthly rate per kW under the applicable OATT.

Q WHY DOES IP NEED TO IMPLEMENT RIDER PRS IN SUCH A WAY THAT CUSTOMERS WILL NO LONGER BE ALLOWED TO TAKE SERVICE UNDER ANY BUNDLED TARIFF OTHER THAN RIDER PRS?

A I do not see any compelling need for IP to do so. Implementing this supply restriction without good reason would only serve to further hinder development of a competitive market in the IP territory, as another potential supply option is made less attractive for customers.

IP has provided no basis or need for making this change in its testimony. Neither did IP provide any basis or need when IIEC directly asked for such basis or need in

IIEC's Third Data Request, Item 61. In its response, IP merely indicated that Rider PRS is authorized under the Act. IP provided no other rationale or basis or need for making the change at this time.

Q WHAT AUTHORITY DID IP CITE AS ALLOWING IT TO MAKE THIS CHANGE?

A IP's response to IIEC's Third Data Request, Item 61 is reproduced below:

> "Rider PRS is expressly authorized by Section 16-106(f)[11] of the Public Utilities Act. In accordance with Section 16-104(f) of the Public Utilities Act, the Company is to be adequately compensated for the cost of serving customers taking partial service. Rider PRS is authorized by Section 16-104(f) regardless of whether or not Illinois Power's bundled tariffs are just and reasonable."

In its response to a separate data request, IIEC's Third Data Request, Item 50, IP again indicates that Rider PRS is proposed pursuant to Section 16-104(f) of the Act, which IP quotes as follows:

> "(f) An electric utility may require a retail customer who elects to (i) use an alternative retail electric supplier or another electric utility for some but not all of its electric power or energy requirements, and (ii) use the electric utility for any portion of its remaining electric power and energy requirements, to place the portion of the customer's electric power or energy requirement that is to be served by the electric utility on a tariff containing charges that are set to recover the lowest reasonably available **cost to the electric utility of acquiring electric power and energy on the wholesale electric market** to serve such remaining portion of the customer's electric power and energy requirement, reasonable compensation for arranging for and providing such electric power or energy, and the electric utility's other costs of providing service to such remaining electric power and energy requirement." (Emphasis added by IP)

[11] I believe IP intended to refer Section 16-104(f), not 16-106(f), as there is no subsection (f) to Section 16-106.

Q DO THE COSTS CHARGED UNDER RIDER DA-RTP REPRESENT THE "LOWEST REASONABLY AVAILABLE COST TO THE ELECTRIC UTILITY OF ACQUIRING ELECTRIC POWER AND ENERGY ON THE WHOLESALE ELECTRIC MARKET"?

A First, IP has made no demonstration whatsoever in this case to substantiate its claim that use of Rider DA-RTP is the lowest reasonably available cost of electric power and energy. Second, I do not believe these charges necessarily represent costs to IP of acquiring electric power and energy on the wholesale electric market at all. IP purchases generation from its formerly-owned Clinton plant through a wholesale power purchase agreement (PPA) at fixed prices.[12] IP purchases other power and energy requirements from its former fossil units now owned by its generating affiliate pursuant to a FERC approved wholesale PPA. These PPAs are not tied to the prices IP charges under its Rider DA-RTP.[13] Hence, until such time as the PPAs expire, and to the extent that IP's PPAs cover IP's requirements to provide generation service under its bundled service tariff, PPO tariff, or partial requirements tariff, the PPAs themselves may represent the "lowest reasonably available cost to the electric utility of acquiring electric power and energy on the wholesale electric market."

In summary, IP has provided no basis or need for changing the terms for providing partial requirements service, and IP's Rider DA-RTP may not represent IP's cost in the wholesale market. Therefore, I recommend that IP not be allowed to base its Rider PRS prices on Rider DA-RTP until and unless IP demonstrates that its Rider DA-RTP price is less than that which is charged under its PPAs.

---

[12] See "Report to the General Assembly: Summary of Annual Reports Filed by Electric Utilities Required by PUA § 16-130 of the Electric Service Customer Choice and Rate Relief Law of 1997," Illinois Commerce Commission, August 2001.

[13] The PPAs were provided in response to IIEC's Fourth Data Request, Item 75.

Q DO YOU HAVE ANY OTHER COMMENTS WITH RESPECT TO IP'S PROPOSED CHARGES UNDER RIDER PRS?

A Yes I do. First, similar to my position with regard to Rider ISS, I do not believe a 10% surcharge on the hourly real-time price is appropriate in any event, as there is no indication that the cost of arranging for Rider PRS electric power or energy varies with the cost of the power and energy itself.

IP's stated rationale for charging a 10% markup of the energy component of the hourly price from Rider DA-RTP is that it "serves as a mechanism to help defray the potential supply risk of serving energy to customers."[14] At least until such time as IP is no longer purchasing its power and energy requirements pursuant to the current PPAs, there does not appear to be any significant "potential supply risk of serving energy to customers." As with my recommendation for Rider ISS, only if IP is able to demonstrate a real cost associated with arranging these supplies, which is not already recovered in the IP revenue requirement, should IP be allowed a separate compensation for this service.

I also object to the requirement that transmission services be assessed at the maximum monthly rate per kW under the applicable OATT for firm point-to-point service, for the same reasons as I objected to it in the context of Rider ISS.

[14] IP's response to IIEC's Third Data Request, Item 52.

IX. Rider PPO Service

Q HAVE YOU REVIEWED THE COMPANY'S TESTIMONY AS IT RELATES TO RIDER PPO SERVICE?

A Yes I have. I have reviewed the proposed revisions to Rider PPO – Power Purchase Option service shown in the testimony of IP witness Voiles and the affected tariff.

Q ON WHAT ASPECT OF IP'S PROPOSED REVISION TO RIDER PPO WOULD YOU CARE TO COMMENT?

A I would like to comment on the third proposed change by IP, which is described at page 15 of IP Exhibit 5.1. IP proposes to include a charge for energy imbalance service in Rider PPO which will be set equal to Factor A4c in Rider TC. IP explains its rationale for including this factor and points out that under its proposed charge, the Factor A4c would initially be set at zero.

This change is not necessary at this time, has no measurable impact and should not be made absent a compelling reason to do so.

Q IF THE CHARGE UNDER THE FACTOR A4c IS ZERO, WHY DO YOU OPPOSE ADDING IT TO THE PPO TARIFF?

A I oppose changing Rider PPO in this regard because there is too much uncertainty in the events that could cause the Factor A4c to change in the future. IP eventually will be charging for transmission service under ARTO's OATT. It is not yet established how the energy imbalance tariff will work and how it will fit with the circumstances described in Ms. Voiles' testimony. Should IP's OATT change in such a way that Factor A4c would become positive, IP has the option to ask to change Rider PPO. The Commission then

can determine the appropriateness of the modification in light of the circumstances in existence at that time.

Q DOES THIS CONCLUDE YOUR TESTIMONY?

A Yes it does.

7626/26004

Qualifications of Robert R. Stephens

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Robert R. Stephens. My business mailing address is P. O. Box 412000, 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation with the firm of Brubaker & Associates, Inc., energy, economic and regulatory consultants. My title is Senior Consultant.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I graduated from Southern Illinois University at Carbondale in 1984 with a Bachelor of Science degree in Engineering. During college, I was employed by Central Illinois Public Service Company in the Gas Department. Upon graduation, I accepted a position as a Mechanical Engineer at the Illinois Department of Energy and Natural Resources. In the summer of 1986, I accepted a position as Energy Planner with City Water, Light and Power, a municipal electric and water utility in Springfield, Illinois. My duties centered on integrated resource planning and the design and administration of load management programs.

From July 1989 to June 1994, I was employed as a Senior Economic Analyst in the Planning and Operations Department of the Staff of the ICC. In this position, I reviewed utility filings and prepared various reports and testimony for use by the ICC. From June 1994 to August 1997, I worked directly with a Commissioner as an Executive Assistant. In this role, I provided technical and policy analyses on a broad spectrum of issues related to the electric, gas, telecommunications and water utility industries.

In May 1996, I graduated from the University of Illinois at Springfield with a Master of Business Administration degree.

In August 1997, I joined Brubaker & Associates, Inc. as a Consultant. Since that time, I have participated in the analysis of various utility rate and restructuring matters in several states and the evaluation of power supply proposals for clients.

The firm of Brubaker & Associates, Inc. provides consulting services in the field of energy procurement and public utility regulation to many clients, including large industrial and institutional customers, some utilities, and on occasion, state regulatory agencies. More specifically, we provide analysis of energy procurement options based on consideration of prices and reliability as related to the needs of the client; prepare rate, feasibility, economic and cost of service studies relating to energy and utility services; prepare depreciation and feasibility studies relating to utility service; assist in contract negotiations for utility services; and provide technical support to legislative activities.

In addition to our main office in St. Louis, the firm also has branch offices in Kerrville, Texas; Plano, Texas; Denver, Colorado; and Chicago, Illinois.